COLUMBIA BASIN TRUST

annual report

2000-2001

COLUMBIA BASIN TRUST

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CORPORATE PROFILE

"The COLUMBIA BASIN TRUST is a regional corporation created in 1995 to promote social, economic and environmental well being in the Canadian Columbia River Basin - the region most affected by the Columbia River Treaty."

OUR MISSION

The Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well being and to achieve greater self-sufficiency for present and future generations.

OUR MANDATE

To manage the Trust's assets, including money allocated by the Province for power projects and other investments, for the ongoing economic, environmental, and social benefits of the region, without relieving governments of their obligations.

To include the people of the Basin in planning for the managing of these assets.

To work with others to coordinate activities related to the corporate purpose of the Trust.

GOVERNANCE

The Columbia Basin Trust is not an agent of the Government, (Columbia Basin Trust Act, Part 2 (5)). The Trust is governed by an 18-member Board of Directors, six of whom are appointed by the Lieutenant Governor in Council. Ten members represent the five regional districts located in the Columbia Basin. Two directors represent the Ktunaxa Kinbasket Tribal Council.

COLUMBIA BASIN TRUST
a legacy for the people

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MESSAGE FROM THE CHAIR

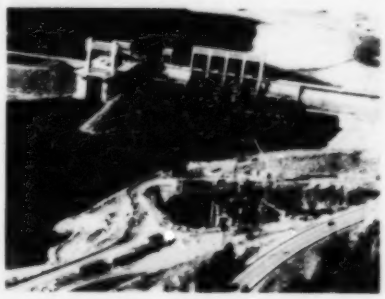
building a lasting

The Columbia Basin Trust is a unique organization that is building a lasting legacy.

Its electrical assets, other endowment capital, and a direction given by the people of the Basin in a truly grass roots process, form the legacy that benefits the people and the environment of the Basin. In the past year, the Trust's asset base has continued to grow from $272 million in 2000 to $420 million in 2001.

This year will see the completion of the Arrow Lakes Generating Station, a project that will harness the Columbia River by bypassing an existing storage dam to generate electricity. The Trust along with its partner, the Columbia Power Corporation, has placed an offer to West Kootenay Power (WKP) to purchase its electrical generating assets consisting of four dams on the Kootenay River between Nelson and Castlegar. This purchase will have no impact on the consumers of WKP and will return a profit back to the Basin. We expect confirmation of the purchase in the summer of 2001 after going through a public hearing put on by the BC Utilities Commission. Investment in hydro projects will ensure that decisions about the long-term future of the valuable water resource will have our input and be made at home in the Basin.

The Trust Board was directed by the people to invest funds and use the profits from the investments for the Trust's Spending Program. As we move from the development to operations stage of these new projects and as our other non-power investments start to show returns, we will see a substantial increase in the income that will flow to the Trust's Spending Program in the near future.



legacy

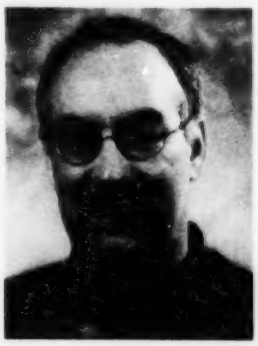
Working through the many committed volunteers in our sector committees, the Trust's Spending Program continues to bring benefits to the Basin. We are particularly pleased with the Youth and Community Involvement Scholarship program which sees one graduating student in each Basin community with a high school receive a scholarship for up to $8,000 or $2,000 for each of four years of post secondary education. The award is based upon a high level of involvement in the community. We are also supporting community foundations through a matching fund of up to $25,000.

The lack of snow pack this year and lack of planning in California will mean even more pressures on an already over stressed river system. In the coming year, the Board will be focusing on the difficult water management issues that will face British Columbia and the Basin in the next few years. We are working with the people of the Basin to ensure local concerns are part of the complex decisions that affect our region.

The Trust has opened its new building in Castlegar which is occupied by the Trust, our partner, the Columbia Power Corporation, and the City of Castlegar. We have also opened additional offices in Cranbrook and Golden and, together with our office in Nakusp, will be able to serve the people of the Basin closer to home.

This summer we held community meetings to hear from Basin residents directly about how we are following the Columbia Basin Management Plan. We also received feedback on the many partnerships and programs the Trust has developed, ensuring they are doing what they intended, and finding out how we can make them work even better. In the past, we did this through a single symposium, but by bringing these meetings closer to home we tripled the amount of people who participated and helped the Trust stay connected to the Basin we serve.

I would like to thank the Trust Board of Directors, Trust CEO Don Johnston, CBT Energy Inc. CEO Ken Epp, Trust staff, our many sector committee volunteers, our delivery partners, our partner CPC, and all of you who are actively involved with the Trust for the dedication and support the Trust has continued to enjoy over the last year.



Josh Smienk
chair

MESSAGE FROM THE CEO

Simple, Sensible,

The Columbia Basin Trust is a very new organization. Although it was established in 1995 through the Columbia Basin Trust Act, the first couple of years were spent doing comprehensive community consultation, and setting up the policy framework which would drive the work of the Trust.

The Columbia Basin Management Plan, a requirement of the Act, was adopted in July 1997. Since that time, the Trust has been working diligently to develop and implement both a Spending Program and an Investment Program. In partnership with the Columbia Power Corporation, we have also been working to complete the Arrow Lakes Generating Station and to do the development work on the other power projects in the Binding Agreement.

The Trust has achieved much success in that short period of time. We have successfully implemented the Spending Program and delivered over $8 million in benefits to the communities in the Basin. We have established strong working relationships with local governments, delivery agents and partner organizations.

Our sector advisory committees function through the dedication and energy of over 60 active volunteers. Our Investment Program has placed over $34 million in investments within the Basin. These investments are managed in cooperation with a number of partners, including credit unions, Community Futures Development Corporations, and private companies.

Not only are these investments returning capital to fund the Spending Program, they are also directly contributing to the economic stability of communities throughout the Basin.

Straightforward

And yet, we face many challenges as we continue to develop the Trust. The major challenge we face is to realize the true potential of the Trust. We need to build an organization that is well organized and fiscally responsible, while at the same time it must be an organization that is flexible and responsive. We must find ways to work closely with people, organizations and communities in the Basin in a manner that clearly involves them in achieving the greater self-sufficiency for present and future generations that is talked about in our Mission statement.

The success of the Trust will be a direct function of the quality of relationships we are able to build through the work described above. In order to do this, we need to create an organization that has clear values, that operates in an open and transparent manner, and that ensures equity of access for all communities in the Basin. We need to be willing to take risks and to learn from our mistakes. We need to work with all of our partners and residents to create an organization that is simple, sensible and straightforward.

Don Johnston
chief executive officer

REPORT ON PERFORMANCE PLAN 2000-2001

STRATEGIC OBJECTIVES
FOR FY2001

Jointly with Columbia Power Corporation, (CPC) complete the strategic objectives as set out in Item 4 of Appendix A, CPC's 2001 Performance Plan.

The Trust has created a subsidiary, CBT Energy Inc., to specifically work with CPC in joint energy ventures. This company continues to work with CPC to complete the strategic objectives as set out in Item 4 of Appendix A of CPC's 2001 Performance Plan. To date, all goals and objectives are on target and on budget. Indeed, it is anticipated that the Arrow Lakes Generating Station will commence power production well in advance of the scheduled date specified in the construction contract.

Hold regional meetings throughout the Basin to receive input from the residents of the Basin regarding the effectiveness of the Trust's activities.

These meetings were postponed from FY2001 to FY2002. The Trust has undertaken an extensive monitoring and evaluation project and the community meetings were to form the final part of that process. The monitoring and evaluation process took longer than anticipated. However, the community meetings were held in the early part of FY2002.

Develop a monitoring and evaluation procedure to ensure the efficacy of Trust programs.

The Trust engaged independent consultants, Landfall Consulting Ltd., to review the Trust's work to date and to establish a framework for future evaluation processes. An initial report was tendered following personal interviews with the Trust's Board, staff, partners and some delivery agents. A final report is to be produced subsequent to further meetings held with the Trust's Board and committee members; the Trust's partners, delivery agents and project proponents; and 12 communities around the Columbia Basin. The initial monitoring and evaluation process, which commenced in the fall of 2000, will be completed by the end of July 2001. From that process, a framework for ongoing monitoring and evaluation will be developed. A full-time staff person will be assigned the task of developing evaluation procedures to ensure the effectiveness of the Trust's programs.

Complete the strategic investment of the $45 million capital provided by the Province in 1996; such investments to include diverse options ranging from equity investments and venture capital to micro lending programs for small business.

The Trust continues to carefully invest the endowment capital provided by the Province. Investments currently range from equity investments ($4 million) and venture capital ($12 million) to investments in commercial loan partnerships with credit unions ($6,575,000) and Community Futures Development Corporations throughout the Columbia Basin in the small business and micro lending area ($3.5million).

Establish a fully functioning power subsidiary, including development of Board policy framework within which the subsidiary will operate.

A power subsidiary, CBT Energy Inc., was established in FY2001. Development of Board policy framework within which the subsidiary will operate will continue into FY2002.

Establish new agreements within the Spending Program with all regional districts.

New agreements with all local governments within the Columbia Basin have been established for the Community Initiatives portion of the Spending Program. These agreements provide local governments with greater authority to approve and fund projects within Community Initiatives guidelines.

Develop new programs and maintain and improve current programs within the Spending Program sectors: environment, economic development, education and training, social, and cultural.

Environment Sector:
The Environment Sector launched one new program, the Ecosystem Awareness/Education Program in 2000-2001. Program development continued on the Community Environmental Stewardship and Terrestrial Ecosystem Restoration Programs. The Environment Sector completed development on the Aquatic Ecosystem Restoration and Conservation Program.

Education and Training Sector:
The Education and Training Sector initiated one new program, Resources for Family Literacy, developed another program, the Training Fees Support Program, and initiated research into other supports that can increase access to and successful completion of post secondary education.

Economic Development Sector:
The Economic Sector initiated the Business Advocates Program and Telecommunications Network Study. The sector continued delivery of matching funds for the Community Enterprise Program and the Kootenay Product Development Fund.

Social Sector:
In 2000-01, the Social Sector implemented an Early Childhood Supports Program and developed a second year for the Early Childhood Supports and Affordable Housing Programs which were approved by the Board and are now in implementation.

Culture and Heritage Sector:
The Cultural Sector developed and implemented four programs after Board approval in 2000-01; the programs were Funding Support to Communities through Community Arts Councils, Special or Developmental Project Support, Funding Support to Touring, and Arts and Heritage Mentoring/ Master Classes.

Additional information and detail on the scope of the programs can be obtained from Trust offices or on the web at www.cbt.org

Develop a youth program within the Spending Program.

A youth coordinator was hired in October 2000 to create a youth program for the Columbia Basin Trust. Youth organizations in the Basin were interviewed and preparations for a youth forum were undertaken. A Basin Voice Youth Action Forum was held at the Blue Lake Forestry Centre in April 2001. Ongoing youth programs will be formulated during FY2002. In the meantime, the Trust maintains its summer program for youth - Youth Links.

Investigate and develop procedures for processing applications and initiatives which do not meet established program guidelines.

Policies were developed for FY2002 which give each sector committee a small responsiveness fund to meet some of the demands for more flexibility in the funding process. This initiative is carried over and will be a focus for FY2002.

Complete the construction of a building in Castlegar to house the offices of CPC and the Trust.

The Columbia Basin Building was completed in FY2001 and CPC and the Trust took tenancy in March 2001.

Develop a strategic plan for water management and Treaty issues and identify roles and responsibilities.

A Water Management Task Force was established and the work of strategic planning and identifying roles and responsibilities will continue through FY2002.

SPECIFIC ACCOMPLISHMENTS AND TARGETS FOR FY2001

working for the

The Columbia Basin is home to about 160,000 people who live in urban and rural areas.

The COLUMBIA BASIN TRUST'S Performance Plan for 2000-2001 lists several specific accomplishments and targets for completion in the fiscal year.

On the power side of the Trust's mandate, we have continued to work with CPC as joint venture partners in power development and, as of the end of the fiscal year, all projects are on schedule and on budget. A fully functioning power subsidiary, CBT Energy Inc., has been formed and a temporary CEO appointed.

The Trust also projected completion of an office building to house CPC. The Columbia Basin Building in Castlegar was completed in March 2001, and currently houses both CPC, the Trust, and the City of Castlegar, the latter having strata title to a portion of the ground floor of the building.

A Columbia Basin Trust office opened in Cranbrook in August 2000 and another regional office opened in Golden in January 2001. These two offices are designed to serve people in the respective regional areas of the Basin. The Golden office serves an area from Invermere to Valemount, and the Cranbrook office serves an area from Canal Flats to the United States and Alberta borders, including the east side of Kootenay Lake. These offices, which have been continuously accessed, have been well received by the residents living in those specific areas. The Trust is able to serve East Kootenay residents far more effectively with a physical presence in the region.

BASIN

One of the Trust's mandates is to develop relationships and working partnerships with Basin organizations. The Trust works in partnership with Community Futures Development Corporations and credit unions to provide additional capital for business loans. The amounts given out in loans through these programs increased throughout the fiscal year. In addition, the Basin Business Advocates Program, which was established by the Economic Development Sector, provides trained and experienced consultants to assist established businesses in areas where additional expertise is needed.

The Trust's endowment capital of $45 million continues to be placed in investments throughout the Basin. Although not complete, the majority has been placed and/or committed to investments within the Basin. The Trust continues to work with current capital investments, first to monitor the investments and secondly to review the experience to date with a view to establishing ongoing investment policies.

On the Spending Program side of the Trust's mandate, implementation continued through the work of the sector committees as set out in Strategic Objectives. Procedures for processing applications/initiatives have been streamlined and the turn-around time of applications has been reduced to two weeks. A strategy for swift responses to Basin residents with project proposals has been established.

Work on a monitoring and evaluation framework for the Trust continued throughout the fiscal year, with completion anticipated for September 2001. The Trust continues working towards identifying possible centres of excellence and on a strategic plan for water management/treaty issues. Staff and other resources will be applied to water management issues in fiscal year 2002.

Making sure everyone in the Basin can access the Trust staff and programs is a priority.

FINANCIAL REPORT

Consolidated Financial Statements as at March 31, 2001

MANAGEMENT DISCUSSION AND ANALYSIS

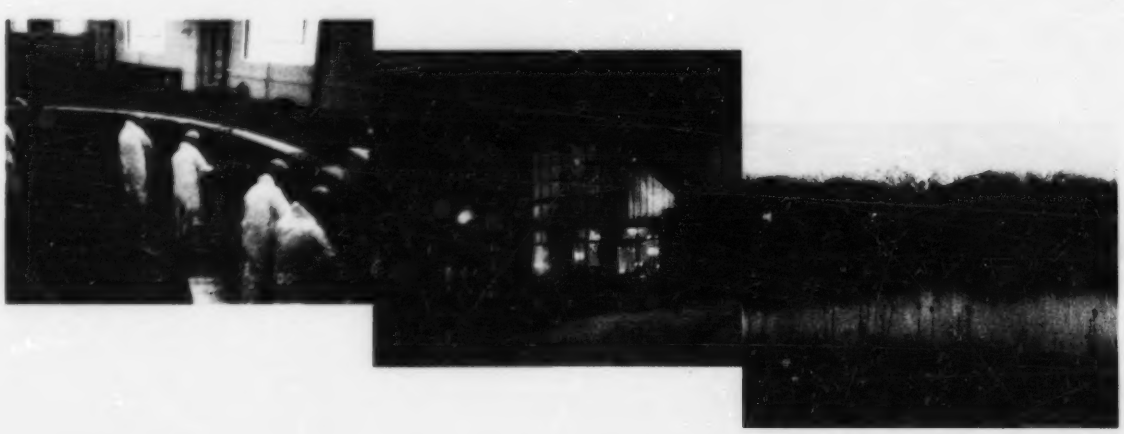
OPERATING HIGHLIGHTS

This year, by remaining focused on the vision outlined in the Columbia Basin Management Plan, the Trust has generated a momentum in the pursuit of the goals and objectives in the Plan. The implementation of the strategies in that document over the past year have resulted in significant accomplishments in the investment of the endowment capital and the return of income from that capital back to Basin residents.

Continued success in the construction and operation of power projects is evident by the progress that has been made at the Arrow Lakes Generating Station and the Brilliant dam. A major step forward in the completion of the Arrow Lakes Generating Station was achieved with the successful enclosure of the powerhouse and excavation of the approach channel. Upgrade work on the Brilliant dam continued in the year and will provide valuable increases in energy entitlements and generating capacity.

The Trust's efforts to move towards a more diversified portfolio of investments has provided us with the opportunity to participate in several exciting developments in the region, such as the Kicking Horse Mountain Resort and the St. Eugene Mission Golf Resort. In December 2000, the Kicking Horse Mountain Resort opened for business and began a seven-year expansion that will transform the area into an international tourist attraction. In May 2000, the St. Eugene Mission Golf Course was completed and became the first step in the development of the rest of the resort, including a casino, hotel, retail shops and wellness spa. Growth in the Trust's Loan Syndication Program resulted in the advancement of loans to businesses in the hospitality, resort and retail sectors.

The return of the income from the Trust's investments back to Basin residents in the form of the delivery of benefits reached a critical mass this year. Partnerships with Basin organizations, involvement of communities, and the efforts of volunteers were all instrumental in providing the Trust with the vehicles necessary to return these benefits back to the residents in the Basin. The disbursement of $4.2 million over the past year was one of the notable achievements in this area.



Total assets increased by $147,327,379 to $419,954,859 in the year as additional power project expenditures were made on the Brilliant dam and the Arrow Lakes Generating Station powerplant. Power project capital of $84,968,231 earned from the Province of B.C. was used to finance this growth. Total investments increased by $54,667,679 largely as a result of the increase in the investment in power projects. Total revenues increased by 11 per cent due to higher income from power projects and business loans. Operating expenditures increased by $645,983 in the year. The delivery of benefits exceeded $4 million with both the current year's allocation and the carryover from the previous year being disbursed over the past 12 months.

INVESTMENT PROGRAM OVERVIEW

Construction of the **ARROW LAKES GENERATING STATION** moved closer to completion with significant progress being made over the past year with the excavation and pouring of concrete for the powerhouse, the excavation of the approach channel, and the installation of the mechanical works for the turbines. The formwork fabrication required to pour the concrete for the two draft tube elbows was one of the most difficult steps that was accomplished in the year. This is one of North America's largest design-build hydroelectric projects and represents a significant undertaking in this region of B.C. The project is ahead of schedule and is expected to be on budget once it is finished.

Income from the **BRILLIANT DAM** was significantly higher this year due to escalation of payments received for power sold under the Brilliant Power Purchase Agreement, higher interest earnings and the commencement of power sales from the first turbine upgrade project. Life extension work on the four generating units continued in the year with the upgrade work on one of the units completed in the year and the resulting power entitlement increased by approximately 31 gigawatt-hours of energy annually and five megawatts of capacity. When all four upgrades are completed, the output of the powerplant will be increased by approximately 20 megawatts and 125 gigawatt-hours annually.

The **KICKING HORSE MOUNTAIN RESORT** is a four-season alpine resort situated in Golden, B.C. that features a state-of-the art eight-person gondola along with two lifts that take visitors up to a new mountain-top restaurant that provides breathtaking views of the surrounding area. This $200 million development is the first B.C. resort to be built from the ground up in the last 25 years. Over the next seven years, the existing ski area will become 100 acres of new hotels, condominiums, single-family chalets, restaurants and retail space at the mountain base. The Trust has provided $5 million in seed investment capital to this project along with equity from Ballast Needham International, a worldwide construction firm, and Grouse Mountain Resorts out of Vancouver.

The **ST. EUGENE MISSION GOLF COURSE** is an 18-hole championship course located on the St. Mary's Reserve that is part of the first phase in the efforts to turn St. Eugene into an international destination resort. The construction of the course was completed and began operations in May 2000. The course was designed by Les Furber and has been rated quite highly by rating services from the U.S. Initially, equity financing was provided in the form of a participatory loan that was secured by cash flows from the course and leases on the golf course lands. More recently, this equity capital has been converted into a term loan for 10 years at 10 per cent per annum with security provided by first and second charges on various parts of the overall resort.

HEATWAVE DRYING SYSTEMS LTD. has developed a method of drying, heating and curing wood products using radio frequency technology that is faster and more efficient than traditional methods. Through the use of specialized vacuum kilns and a carefully controlled environment, test applications for uses in the forest products industry have resulted in dramatically shortened drying times and greatly improved energy efficiency. This technology is also proving to be transferable to other industrial drying applications, such as in the food industry. The Trust's investment in Heatwave is in the form of a loan that is convertible into the shares of the company.

As part of its lending program, the Trust has created a **LOAN SYNDICATION PROGRAM** to provide much needed liquidity to the capital markets in the Basin. By matching funds with the credit unions in the Basin, the Trust has been able to place capital in secured, commercial loans for businesses and projects that would not otherwise have been able to obtain financing from more traditional sources, such as the Canadian banks. In excess of $5 million has been advanced under this program to date, to businesses in the hospitality, resort and retail sectors. The regional allocation of these loans has also been widely spread with loans having been advanced to businesses in Revelstoke, Kimberley, Castlegar, Nelson, Invermere and Golden.

A **SMALL BUSINESS LENDING PROGRAM** with the five Community Futures Development Corporations (CFDCs) in the Basin was established to provide lending capital to small businesses in the region that do not have access to financing from traditional sources. This partnership was established to take advantage of the administrative infrastructure and lending expertise the CFDCs already have in place. A total of $2,158,000 in lending capital has been advanced to small businesses through this arrangement.

The Trust has placed $3,561,000 of its non-power investment portfolio in commercial **REAL ESTATE** located in the Basin. The Columbia Basin Trust Building, which was completed in March 2000, is the main property in this portfolio. This building is almost fully leased and is expected to provide the Trust with a steady source of cash flow and returns to help diversify its overall portfolio.

SPENDING PROGRAM OVERVIEW

Over the past year the Trust's delivery of benefits to Basin residents moved out of the start-up phase and into the mature phase with the establishment of well-defined methods of delivery with partners and communities in the Basin. The long-term goal is to deliver $3.75 million per year in benefits through the Sectors, Community Initiatives and Basin Initiatives funding envelopes. This goal was reached in fiscal 2001 with in excess of $4.2 million reaching residents through these programs in partnership with volunteer committees, local governments and community-based organizations. In addition to the current year's disbursements, funds were paid out to fulfill commitments made in previous years. The impact of these programs was widespread, reaching all areas of the Trust's mandate.

LIQUIDITY AND CAPITAL RESOURCES

The Trust's net assets increased by $84,968,231 in the year to $223,989,390 as additional power project financing was earned from the Province of B.C. The Commitment Receivable from the Province and the Advance from Columbia Power Corporation both increased by $62,022,132. The Brilliant dam bonds were reduced by $467,715 through regularly scheduled payments. The Trust is financially secure and able to meet its outstanding commitments.

RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with generally accepted accounting principles and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present the Trust's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved on behalf of the Trust's Board of Directors by the Board's Executive Committee.

Management has established and maintained appropriate systems of internal control including policies and procedures which are designed to provide reasonable assurance that the Trust's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements.

The independent external auditors, Yule & Associates, Chartered Accountants, have been appointed by the Trust's Board of Directors to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Trust's financial position, results of operations, changes in net assets and cash flows in conformity with generally accepted accounting principles. The report of Yule & Associates, Chartered Accountants is included below and outlines the scope of their examination and their opinion on the consolidated financial statements.

Don Johnston
Chief Executive Officer

Robert Krysac, C.G.A.
Chief Financial Officer

AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Energy and Mines:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2001 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2001 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

Castlegar
June 8, 2001

Yule + Associates
CHARTERED ACCOUNTANTS

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2001

	2001	2000
ASSETS		
CURRENT		
Cash	$ 4,393,951	$ 4,454,277
Accrued investment income	2,218,213	1,304,352
Unbilled power project revenue	2,878,878	2,627,302
	9,491,042	8,385,931
INVESTMENTS		
Power projects (Note 6)	178,331,462	119,851,717
Income securities (Note 3)	30,180,714	45,242,903
Business loans (Note 4)	19,248,938	11,137,075
Real estate projects (Note 5)	3,560,582	422,322
	231,321,696	176,654,017
OTHER		
Commitment receivable from Province of B.C. (Note 10)	145,773,753	83,751,621
Deferred amounts (Note 7)	33,368,368	3,835,911
	179,142,121	87,587,532
	$ 419,954,859	$ 272,627,480
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 2,529,360	$ 1,706,924
Accrued interest expense	1,374,063	1,391,770
Non-recourse debt of joint venture due within one year (Note 8)	510,414	467,715
	4,413,837	3,566,409
LONG TERM DEBT		
Non-recourse debt of joint venture (Note 8)	45,777,879	46,288,291
Advance from Columbia Power Corporation (Note 10)	145,773,753	83,751,621
	191,551,632	130,039,912
NET ASSETS (Restricted To)		
Power project investments (Note 13(a))	170,361,553	82,324,348
Non-power investments (Note 13(b))	49,139,910	47,713,282
Delivery of benefits (Note 13(c))	4,487,927	8,983,529
	223,989,390	139,021,159
	$ 419,954,859	$ 272,627,480

Approved on behalf of the Board of Directors:

Chair

Vice-chair

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDING MARCH 31, 2001

	2001	2000
REVENUES		
Net investment income		
Power projects (Note 6)	$ 1,840,073	$ 1,265,776
Income securities (Note 3)	2,042,680	2,553,880
Business loans (Note 4)	698,788	102,231
Real estate projects	11,687	7,196
	4,593,228	3,929,083
Contribution		
Province of B.C. (Note 1(b))	2,000,000	2,000,000
	6,593,228	5,929,083
OPERATING EXPENSES		
Board and committee expenses	220,747	263,046
Staff remuneration and development	1,147,463	793,446
Public relations	101,361	102,073
Professional and consultants fees	220,368	90,543
Corporate travel and meetings	205,869	137,532
Information technology/systems	97,156	139,231
Office and general	261,017	161,127
Amortization	204,200	125,200
	2,458,181	1,812,198
OPERATING INCOME	4,135,047	4,116,885
Investment program write-downs and write-offs (Note 17)	2,865,026	648,371
Delivery of benefits (Note 16)	4,248,922	3,173,506
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (2,978,901)	$ 295,008

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2001

	Restricted To				
	Power Projects Investments	Non-Power Investments	Delivery of Benefits	2001	2000
NET ASSETS, beginning of year	$ 82,324,348	$ 47,713,282	$ 8,983,529	$ 139,021,159	$ 112,455,442
Power project financing earned from the Province of B.C.	87,947,132	-	-	87,947,132	26,270,709
Excess (deficiency) of current year's revenues over expenditures	-	-	(2,978,901)	(2,978,901)	295,008
Additional power project cash distributions available for the spending program	90,073	-	(90,073)	-	-
Minimum reinvestment required to maintain endowment capital	-	1,426,628	(1,426,628)	-	-
NET ASSETS, end of year	$ 170,361,553	$ 49,139,910	$ 4,487,927	$ 223,989,390	$ 139,021,159

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING MARCH 31, 2001

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from investment deposits and securities income	$ 2,294,493	$ 2,315,519
Cash received from business loan income	700,180	140,668
Cash received from rental income	2,755	23,750
Cash generated by power project joint venture and distributed	1,750,000	1,759,073
Cash generated by power project joint venture and not distributed	827,974	1,204,831
Cash received from Province of B.C.	2,000,000	2,000,000
Cash paid for operating expenses	(2,184,991)	(1,697,489)
Cash paid for spending program disbursements	(4,248,922)	(3,173,506)
	1,141,489	2,572,846
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Investment in power project under development	(48,800,356)	(23,185,417)
Investment in power project expansion rights	(25,925,000)	-
Capital improvement at operating power project	(10,957,546)	(1,595,448)
Investment in deferred power project costs	(3,431,674)	(1,126,016)
Disposal of investment deposits and securities	15,062,189	8,612,289
Investment in business loans	(10,838,092)	(9,469,026)
Investment in real estate projects	(3,272,835)	(266,178)
Purchase of Trust office assets	(517,918)	(188,600)
	(88,681,232)	(27,218,396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term advance from Columbia Power Corporation	62,022,132	26,270,709
Contribution from the Province of B.C. for expansion rights	25,925,000	-
Repayment of non-recourse debt	(467,715)	(428,587)
	87,479,417	25,842,122
INCREASE (DECREASE) IN CASH	(60,326)	1,196,572
CASH, beginning of period	4,454,277	3,257,705
CASH, end of period	$ 4,393,951	$ 4,454,277

The accompanying notes are an integral part of this consolidated statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF COLUMBIA BASIN TRUST

(a) Columbia Basin Trust Act (Bill 7-1995)

The Trust is a not-for-profit corporation established on July 6, 1995 when Royal Assent was given to the Columbia Basin Trust Act, an Act of the Province of British Columbia. The Act states that the Trust is not an agent of the Province, has the power and capacity of a natural person and provides for the Trust to be controlled by a regional board of directors. The majority of the board is appointed by local governments in the Trust's region of operations rather than by the Province. The Directors have been given the powers and the responsibility to manage or supervise the management of the Trust's affairs. The sole share of the Trust is to be held by the Minister of Finance and Corporate Relations on behalf of the Province.

Section 4 of the Act states that the purpose of the Trust is to invest, spend and otherwise manage the Regional Allocation and the Trust's other assets, including any assets that may be transferred to it, for the ongoing economic, environmental and social benefit of the region including, without limitation, for

(i) the social well being of the residents of the Region;
(ii) the preservation, protection and enhancement of the environment of the Region;
(iii) the economic development of the Region.

(b) Funding of Columbia Basin Trust and Power Project Investments

Under the Agreement of July 27, 1995 between the Province and the Trust, the Province will pay the Trust, for purposes of paying operating expenses, $2 million annually through the year 2010 (a total commitment of $32 million). On April 1, 1996, the Province made a regional benefit program payment to the Trust of $45 million. The Province will pay the Trust, for the purposes of investing in power projects, the sum of $250 million by payments of $50 million on April 1st of each of the years 2001 through 2005 and an additional payment on April 1, 2000 equal to half the book value of the Expansion Rights Amount (expansion rights pertaining to the existing Brilliant and Waneta dams' power generation capability). The book value of the Expansion Rights Amount as at March 31, 1997 was $51,850,000.

The Trust's power project activities are to be conducted by subsidiaries of the Trust, which are to participate in power projects through unincorporated joint ventures. The Province covenants to invest $250 million in Columbia Power Corporation (CPC), for the purpose of paying capital costs of the power projects, by payments of $50 million on April 1st of each of the years 1996 through 2000 and a reduction in the April 1, 2000 payment equal to half the book value of the Expansion Rights Amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accounts of the Trust and its subsidiaries are consolidated in these financial statements. Intercompany balances and transactions have been eliminated. The interest of the Trust's subsidiaries in power project joint ventures are consolidated by the Trust on a proportionate basis. Under the proportionate consolidation method, the Trust records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

(b) Revenue Recognition

The Trust follows the deferral method of accounting for contributions to the Trust. Endowment contributions (for example, the regional benefit program payment and the power project financing payments) are recognized as direct increases in net assets. Future power project financing payments are recognized as a long-term commitment receivable from the Province to the extent that they have been earned, and based on the criteria that the amount earned can be reasonably estimated and ultimate receipt from the Province is reasonably assured.

(c) Income Securities

Deposits and short-term debt securities held for investment purposes are recorded at cost which approximates market value. If the value of a particular deposit or security held for investment suffers an other than temporary decline in value the carrying value is written down accordingly. All gains and losses on sales of securities, write-downs to record other than temporary declines in the values of deposits or securities held for investment, and the amortization of discounts or premiums are included in the net investment income from income securities figure in the consolidated statement of operations.

(d) Business loans

Loans are stated net of an allowance established to recognize anticipated losses. This allowance is determined by reference to specific loans in arrears and by judgement of management based on loan collection experience. A general allowance is also maintained to absorb credit losses attributable to any deterioration in the loan portfolio for which specific allowances cannot yet be determined. A portion of the interest earned on business loans is allocated to this allowance to assist in the coverage of anticipated losses.

(e) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to write-off the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Power project

Brilliant power project	-straight line over 60 years
Capitalized costs	-straight line over 30 years

(ii) Real estate

Buildings and improvements	- straight line over 30 years

(iii) Trust office

Computer equipment and software	- straight line over 3 years
Office furniture & equipment	- straight line over 5 years
Leasehold improvements	- straight line over 7 years

(f) Deferred Amounts

Costs incurred in determining the feasibility of acquiring investments are deferred. When a project's acquisition or development is complete, the deferred costs form part of the capital cost of the project. If a project is abandoned, the related deferred costs are charged to operations in the period of abandonment. The appropriateness of deferring a project's costs is considered annually. When a project's costs exceed those likely to be recovered, the excess costs are charged to operations.

(g) Deferred Debt Issue Costs

Expenditures incurred in issuing long-term debt are deferred and amortized on a straight line basis over the term of the related debt.

(h) Taxes

The Trust is exempt from income taxes under paragraph 149 (1) (d) of the Income Tax Act. The Trust is also exempt from Federal large corporations tax under subsection 181.1(3) of the Income Tax Act. The Trust is subject to B.C. corporations capital tax under section 3 (1) of the Corporation Capital Tax Regulation as amended on March 29, 1996.

3. INCOME SECURITIES

(a) Income Securities Portfolio
(As at March 31)

Description	March 31, 2001	March 31, 2000
Issued by Chartered Banks:		
C.I.B.C.	$ 6,919,500	$ 5,861,000
Toronto-Dominion Bank	-	5,018,064
Hong Kong Bank of Canada	-	4,788,769
Bank of Nova Scotia	2,316,644	3,838,520
	9,236,144	19,506,353
Issued by Credit Unions:		
Kootenay Savings Credit Union	5,264,158	9,805,476
Revelstoke Credit Union	4,277,770	3,287,118
Cranbrook Savings Credit Union	3,557,383	4,157,282
Columbia Valley Credit Union	2,899,765	2,770,117
Castlegar Savings Credit Union	2,567,465	3,512,313
Nelson District Credit Union	1,177,688	1,070,572
Creston and District Credit Union	1,165,612	1,100,672
Arrow Credit Union	34,729	33,000
	20,944,570	25,736,550
	$ 30,180,714	$ 45,242,903

(b) Net Investment Income
(For the years ended)

	March 31, 2001	March 31, 2000
Interest from income securities	$ 1,858,453	$ 2,456,503
Other investment income	184,227	97,377
Net investment income	$ 2,042,680	$ 2,553,880
Return on investment deposits and securities	5.38 %	5.17 %

(c) Restrictions on Income Securities

The Trust's deposit holdings are not marketable. The Trust, on 90 days written notice, may redeem up to 10% of deposit placements initially made for a period of one year or longer, without cost or penalty, provided that such redemptions occur only once during a particular deposit's term.

$3,327,144 of the $30,180,714 deposits and securities figure is not available to the Trust. This amount includes the Trust's $2,316,644 share of a Debt Service Reserve fund and $1,010,500 share of a segregated Operating Reserve Account required under the terms of joint venture debt financing. Columbia Basin Power Company (CBPC) has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Series A Brilliant Project Bonds. The CBPC is also required to maintain an operating reserve account in an amount equal to one-quarter of annual operating expenses.

4. BUSINESS LOANS

The Trust has included in its consolidated financial statements and notes the following business loans:

	March 31, 2001	March 31, 2000
Loan Syndication Program	$ 5,081,909	$ 1,395,767
Regional Lending Program	2,157,594	1,662,635
St. Eugene Golf Course	6,465,000	3,610,795
Kicking Horse Mountain Resort	5,288,830	2,000,000
Heatwave	2,400,000	1,700,000
	21,393,333	10,369,197
Deferred Loan Costs	613,845	799,892
	22,007,178	11,169,089
Less: Loan Loss Allowance	(2,758,240)	(32,014)
Business Loans	$ 19,248,938	$ 11,137,075

	March 31, 2001	March 31, 2000
Loan Loss Allowance:		
Impaired Loans	$ 2,934,551	$ 239,024
Less: Amounts where loss is not expected	(226,135)	(239,024)
Specific allowances	2,708,416	-
General loan loss reserve	49,824	32,014
Loan Loss Allowance	$ 2,758,240	$ 32,014

(a) Loan Syndication Program

CBT Small Business Investment Corp.(CBT SBI) established a loan syndication program to provide liquidity to the capital markets in the basin. By matching funds through a pooling arrangement with the financial institutions in the basin, CBT SBI is able to provide debt financing to businesses and larger commercial projects that would not normally be available to these borrowers in this geographic region. The terms of these loans range in length from three to five years and are generally secured by real estate.

(b) Regional Lending Program

The Columbia Basin Regional Lending Agreement (the Regional Agreement) with the Community Futures Development Corporations (CFDCs) of Trail, Fraser Fort George, Revelstoke, the South-East region of B.C. and Central Kootenay was established to provide lending capital to small businesses in the basin that do not have access to financing from traditional sources. Under the Regional Agreement the Trust contributed lending capital to CBT SBI to be allocated to the CFDCs for the purpose of providing small loans. This is in addition to capital provided to the CFDCs by CBT SBI under an agreement known as the Regional Lending Pilot Agreement made between CBT SBI and the CFDCs as of February 15, 1998.

(c) St. Eugene Golf Course

The St. Eugene golf course is an eighteen-hole golf course located on the St. Mary's reserve near Cranbrook, B.C. The course was completed and began operations in May 2000. Debt financing was provided to the St. Eugene Mission Hotel and Golf Course Funding Corporation (Fundco) by CBT St. Eugene Hotel/Golf Corp. in the form of a ten year term loan. The interest payable on this loan in the first year will be 5% and 10% in the second through tenth year of the agreement. The loan is secured by a second charge on the golf course subleases, a second charge on the casino sublease, and first charges on the parking lot and hotel subleases. The loan agreement is subject to Fundco obtaining financing for the development of the rest of the resort.

(d) Kicking Horse Mountain Resort

The Kicking Horse Mountain Resort is a four-season alpine resort development situated in Golden, B.C. CBT Golden Peaks Development Corp. has provided a term loan to the Kicking Horse Mountain Resort Limited Partnership at a minimum rate of 8% per annum and a variable interest component that is subject to the operating results of the borrower. The loan security is provided in the form of a secured interest on all the resort assets, second in priority to the interests of the lead lender.

(e) Heatwave

Heatwave Drying Systems Ltd. (Heatwave) has developed a method of drying wood using radio frequency technology that is faster and more efficient than traditional methods. CBT Venture Capital Corp. (Venture Capital) advanced to Heatwave a convertible loan that is convertible into the common shares of the company. The conversion right allows Venture Capital to convert the loan into 1,900,000 common shares at $1 per share and into 250,000 common shares at $2 per share. The specific loan loss allowance includes an amount for the full amount of the loan.

Net business loan income consists of:

	March 31, 2001	March 31, 2000
Business loan interest income:		
Loan syndication program	$ 281,638	$ 42,902
Regional lending program	184,597	105,271
St. Eugene Golf Course	64,656	-
Kicking Horse Mountain Resort	284,787	-
	815,678	148,173
Less:		
Loan syndication administration fees	(1,833)	(1,073)
CFDC loan administration fees	(67,997)	(33,976)
Loan loss provision-general	(17,810)	(25,893)
Loan loss provision-specific	(45,000)	-
	683,038	87,231
Fee income-loan syndication program	15,750	15,000
Net business loan income	$ 698,788	$ 102,231

5. REAL ESTATE PROJECTS

The Trust's interest in real estate projects is as follows:

	March 31, 2001	March 31, 2000
Castlegar building (at cost)	$ 3,361,115	$ 158,543
Brilliant school (net)	199,467	263,779
	$ 3,560,582	$ 422,322

The Trust advanced $3,560,583 to CBT Real Estate Investment Corp. for the purposes of investing in the Brilliant School property and the development of the Columbia Basin Trust office building in Castlegar, B.C. The Columbia Basin Trust building is a three storey building with in excess of 21,000 square feet of leaseable area. Tendering for the construction of the building was awarded to Vic Van Isle Construction Ltd. of Revelstoke, B.C. in the spring of 2000. Construction of the building commenced in early June, 2000 and was completed by the end of March, 2001.

6. POWER PROJECTS

The Trust's power project assets are as follows:

	March 31, 2001	March 31, 2000
Operating power project	$ 79,813,549	$ 70,134,160
Under development	87,141,913	38,341,557
Power sales right	11,376,000	11,376,000
	$ 178,331,462	$ 119,851,717

(a) Operating Power Project

Summarized combined financial position, results of operations and changes in financial position relating to the Trust's 50 % interest in the Columbia Basin Power Company joint venture is as follows:

	March 31, 2001	March 31, 2000
(i) Financial Position		
Property, plant and equipment (net)	$ 79,813,549	$ 70,134,160
Current assets	3,943,921	4,488,365
Other assets	3,783,168	3,492,788
Long-term debt	(59,056,012)	(52,276,960)
Current liabilities	(3,074,053)	(3,135,738)
Equity in Joint Venture (the Trust's share)	$ 25,410,573	$ 22,702,615
(ii) Operating Results (for the years ended)		
Revenues	$ 11,491,350	$ 10,932,709
Operating expenses	(5,061,715)	(5,290,571)
Financial charges	(4,589,562)	(4,376,362)
Net income (the Trust's share)	$ 1,840,073	$ 1,265,776
(iii) Cash Flows (for the years ended)		
Cash flow from operations	$ 2,577,974	$ 2,963,903
Cash applied to investments	(11,266,046)	(1,792,949)
Cash from financing	9,439,636	1,495,094
Cash distributions (to the Trust)	(1,750,000)	(1,759,073)
Increase (decrease) in cash	$ (998,436)	$ 906,975
(iv) Power Project Return on Equity (for the years ended)		
Net power project income (the Trust's share)	$ 1,840,073	$ 1,265,776
Power project investment equity (the Trust's share)	$ 25,410,573	$ 22,702,615
Return on power project equity (effective annual rate)	7.65 %	5.46 %

(b) Under Development

The Trust has included in its consolidated financial statements and notes the following deferred costs which represent its 50 % interest in the Arrow Lakes Power Company joint venture.

Expenditure Category	March 31, 2001	March 31, 2000
Project Design and Construction	$ 79,226,637	$ 31,441,642
CPC/Trust Management	3,016,395	2,442,629
Land	2,032,896	1,889,184
Environmental Analysis	1,277,709	1,133,952
Finance/Legal Analysis	1,021,968	898,224
Socioeconomic Analysis	566,308	535,926
	$ 87,141,913	$ 38,341,557

Arrow Lakes Powerplant Project

The Arrow Lakes Powerplant Project is a project to install a powerplant at the existing BC Hydro Hugh Keenleyside flood control and storage dam near Castlegar and to construct a 49 km 230 kv transmission line to the BC Hydro substation at Selkirk. The powerplant will consist of two generating units with capacity of approximately 170 MW to be constructed 400 meters downstream of the dam. Water will enter the powerplant via a 1,400 meter approach channel bypassing the existing dam.

In December 1998, the Arrow Lakes Power Company joint venture entered into a turn-key, design-build contract with Peter Kiewit Sons Co. Ltd. for the construction of the Arrow Lakes powerplant. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule and a schedule of payments to the contractor. Site preparation began in February, 1999. Construction of the powerplant commenced in March, 1999. Construction is ahead of schedule in accordance with scheduled milestones under the design-build contract and may be in commercial production by the fall of 2001.

(c) Power Sales Right

Enron Power Marketing Inc. (EPMI) purchased from Alcan Aluminum Limited the right and obligation to sell B.C. Hydro and Power Authority 167 average megawatts annually at predetermined prices from January 1, 1998 to December 31, 2014. The Trust and Columbia Power Corporation (CPC) subsequently paid EPMI $22,752,000 (the Trust's share is $11,376,000) for the right and obligation to provide up to 86 average megawatts of this BC Hydro contract from January 1, 2003 to December 31, 2014. The Trust and CPC intend to fulfill their power delivery obligation by way of the Arrow Lakes Powerplant Project power entitlement from the B.C. Hydro system. The power sales revenue attributable to the right are projected to recover the cost of the right and the cost of constructing the Arrow Lakes Powerplant Project.

7. DEFERRED AMOUNTS

The deferred amounts figure includes the following asset categories:

	March 31, 2001	March 31, 2000
Expansion rights	$ 25,925,000	$ -
Deferred development - Power projects	6,311,271	3,112,659
Deferred debt issue costs	456,024	474,144
Deferred development-Other projects	117,247	-
Trust office assets	558,826	249,108
	$ 33,368,368	$ 3,835,911

(a) Expansion Rights

CPC purchased the hydroelectric power expansion rights pertaining to the existing Brilliant and Waneta dams' power generation capability from Cominco Ltd. in 1994. These rights include options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. On April 1, 2000, 50% of these rights were sold by CPC to CBT Power Corp. for $25,925,000. These rights were dedicated by both parties to the Power Project Planning Joint Venture.

(b) Deferred Development - Power Projects

The deferment of power project costs is based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors have been considered by management in determining the viability of each project. Changes in significant assumptions underlying future cash flow estimates for a project can have a material effect on the economic viability of a project. The Trust has included in its consolidated financial statements and notes the following deferred costs which represent its 50 % interest in the Power Project Planning Joint Venture.

Project	Identification	March 31, 2000	Fiscal 2001 Expenditures	Transfers and write-offs	March 31, 2001
BEP	Brilliant expansion	$ 1,378,744	$ 1,566,646	$ -	$ 3,445,390
WEP	Waneta expansion	793,743	242,576	-	1,036,319
WUP	Waneta upgrades	440,172	4,531	-	444,703
TPP	Thermal power	-	19,811	(19,811)	-
BSSN	Brilliant Substation	-	382,011	-	382,011
GEN	WKP Generation	-	1,002,848	-	1,002,848
		$ 3,112,659	$ 3,218,423	$ (19,811)	$ 6,311,271

	Project Design	Environmental Analysis	Socioeconomic Analysis	Finance/Legal Analysis	CPC / Trust Management	March 31, 2001
BEP	$ 755,446	$ 879,090	$ 220,043	$ 176,302	$ 1,414,509	$ 3,445,390
WEP	195,478	458,388	1,678	12,547	368,228	1,036,319
WUP	3,075	26,975	-	150,923	263,730	444,703
BSSN	-	-	-	199,437	182,574	382,011
GEN	174,851	-	-	376,861	451,136	1,002,848
	$ 1,128,850	$ 1,364,453	$ 221,721	$ 916,070	$ 2,680,177	$ 6,311,271

(i) Brilliant Expansion Project

The Brilliant expansion project is a proposal to install an additional 100 megawatt power generation facility at the existing Brilliant dam. The Venturers own the Brilliant dam and the existing power facility. The Trust's co-venturer Columbia Power Corporation (CPC) paid $26.5 million in 1994 to Cominco Ltd. to purchase the rights to undertake an expansion.

The project's construction cost is estimated to be approximately $150 million and will be determined through a competitive design-build process. The project would be financed with a combination of long-term debt and equity consistent with industry practice. The Venturers' equity requirements will be funded by power project financing payments from the Province of B.C.

(ii) Waneta Expansion Project

The Waneta expansion project is a proposal to install an additional 380 megawatt power generation facility at the existing Waneta dam. The Waneta dam is owned by Cominco Ltd. to whom the Trust's co-venturer, CPC paid $25.4 million in 1994 to purchase the rights to undertake an expansion.

The project's construction cost is estimated to be approximately $300 million over a four year period. It is projected that construction of the project will follow completion of the Arrow Lakes Powerplant Project and the Brilliant Expansion Project. The project would be financed with a combination of long-term debt and equity consistent with industry practice. The Venturers' equity requirements will be funded by power project financing payments from the Province of B.C.

(iii) Waneta Upgrades Project

The Waneta upgrades project is a proposal to purchase the estimated 100 megawatts of power entitlements attributable to modifications of the existing power generation facilities at the Waneta dam. Cominco Ltd., the owner of the Waneta dam, has completed the first of four generating unit upgrades and is in the process of obtaining environmental approval for the remaining upgrades.

The project's total construction cost is estimated to be approximately $40 million. The project would be financed with a combination of long-term debt and equity consistent with industry practice. The Venturers' equity requirement will be funded by power project financing payments from the Province of B.C.

(iv) Brilliant Substation Project

The Brilliant Substation is a proposal to enter into a strategic partnership arrangement with West Kootenay Power (WKP) whereby CPC and the Trust will own, build and finance a new $19 million Brilliant substation and interconnect the Arrow Lakes Powerplant to the Selkirk 230 kv transmission line at Brilliant as part of WKP's System Development Project (SDP). WKP was issued a Certificate of Public Convenience and Necessity, by the B.C. Utilities Commission on June 5, 2000, to upgrade its transmission facilities in the Kootenays. CPC and the Trust intend to enter into an agreement with WKP on interconnection and investment in a new 230 kv substation near Brilliant. It is expected that construction of the Brilliant substation will commence in November 2001 and be completed in 2003.

(v) WKP Generation Project

The WKP Generation Project is a proposal to acquire the Lower Bonnington, Upper Bonnington, South Slocan and Corra Linn dams located on the Kootenay River upstream of the Brilliant dam. Other assets of the acquisition would include: the associated powerhouses and related structures, lands, buildings, rights-of-way, equipment and related transmission facilities; the entitlement associated with the four generating plants as defined by the Canal Plant Agreement and Sub-Agreement; the water diversion and Kootenay Lake storage licences; and all contracts, permits, flooding easements and headpond lands of the Generation Business. In addition, approximately 80 WKP employees, involved in the planning, operation and maintenance of these assets, would be transferred to a subsidiary company of the Trust and CPC.

A significant outstanding requirement for this project is the approval of the British Columbia Utilities Commission for this transaction. As part of the transaction, the Trust and CPC would enter into a 30 year agreement for the sale of the entitlement from the four plants to WKP. The purchase would be financed by a combination of equity from the Trust's and CPC's segregated trust accounts and debt raised through the sale of limited recourse bonds, similar to the Brilliant Series A bonds.

(c) Deferred Debt Issue Costs

The following is the Trust's 50 % share of debt issue costs incurred by the Columbia Basin Power Company in issuing long-term, non-recourse debt:

	March 31, 2001	March 31, 2000
Deferred debt issue costs	$ 543,604	$ 543,604
Accumulated amortization	(87,580)	(69,460)
	$ 456,024	$ 474,144

(d) Deferred Development - Other projects

The Trust has included in its consolidated financial statements and notes deferred costs of $117,247, which represent costs incurred to investigate other smaller power projects.

(e) Trust Office Assets

	Cost	Accumulated Amortization	March 31, 2001	March 31, 2000
Computer equipment	$ 417,136	$ (269,921)	$ 147,215	$ 80,898
Computer software	137,614	(72,844)	64,770	57,491
Office furniture and equipment	245,031	(118,328)	126,703	48,238
Leasehold improvements	310,554	(90,416)	220,138	62,481
	$ 1,110,335	$ (551,509)	$ 558,826	$ 249,108

8. NON-RECOURSE DEBT OF JOINT VENTURE

All joint venture debt is issued on a non-recourse basis. The security provided by a joint venture is limited to the rights and assets of the individual joint venture and does not extend to the rights and assets of the Trust, except to the extent of the Trust's investment in that joint venture.

The following is the Trust's 50 % share of non-recourse debt issued by Columbia Basin Power Company (CBPC).

	March 31, 2001	March 31, 2000
Principal outstanding at April 1, 2000 (and at April 1, 1999)	$ 46,756,006	$ 47,184,593
Repayment of principal during the year	(467,715)	(428,587)
Total non-recourse debt of joint venture	46,288,291	46,756,006
Non-recourse debt of joint venture due within one year	(510,412)	(467,715)
Long-term portion of non-recourse debt of joint venture	$ 45,777,879	$ 46,288,291

The Series A Brilliant Project Bonds(the Bonds) are repayable in equal semi-annual payments of principal and interest amortized over 30 years to May 31, 2026. Interest is calculated semi-annually at a rate of 8.93 % which is an effective annual interest rate of 9.13 %.

The Bonds are secured on a limited recourse basis by charges against the Brilliant Dam assets including related material contracts, licenses, permits, approvals, authorizations and insurance coverages. The agreements with the Bondholders include requirements for a debt service reserve fund, an operating reserve account commitment and a sustaining capital expenditure commitment. Further, cash distributions to the Venturers by CBPC are restricted to cash available after a series of payment priority conditions have been assessed. The payment priority conditions include provisions for operating and maintenance expenses, capital maintenance expenditures and debt repayments.

The Bonds are redeemable by CBPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30 %.

9. NON-RECOURSE CREDIT FACILITY OF JOINT VENTURE

Consistent with its agreements with its Bondholders, Columbia Basin Power Company (CBPC) has established a $10 million credit facility. The facility shares the same security as the Bondholders and can be accessed by way of loans, bankers acceptances, letters of credit and for purposes of interest rate swaps. Proceeds from the facility can be used for capital or operating expenditures.

10. ADVANCE FROM COLUMBIA POWER CORPORATION & COMMITMENT RECEIVABLE FROM PROVINCE OF B.C.

Under the terms of its joint venture agreements with the Trust, Columbia Power Corporation is required to make interest free advances to the joint ventures on behalf of the Trust for the purpose of funding the Trust's share of power project joint venture activities. Such advances are repayable by the Trust upon receipt of payments under the Trust's power project capital financing agreement with the Province of B.C. (Note 1(b)). The committment receivable from the Province of B.C. reflects power project financing earned by the Trust through its power project investment activities.

11. COMMITMENTS

(a) Columbia Basin Power Company

Under its agreements with its Bondholders, CBPC has committed to keep the Brilliant dam in good operating condition and to effect all necessary repairs and replacements consistent with good industry practice. Capital maintenance expenditures are expected to average $16.4 million annually over the next three years (the Trust's share is $8.2 million) and $0.4 million annually thereafter (the Trust's share is $0.2 million).

(b) Trust Office

The Trust has entered into operating lease agreements for its office space for terms expiring at various dates in the future.

(c) Arrow Lakes Power Company

The construction contract for the Arrow Lakes powerplant (Arrow Lakes) includes an incentive bonus for early completion. The contractor is entitled to receive a portion of the sales revenue for any marketable power produced up to and including December 31, 2002. In December 2000, an agreement was reached with Powerex Corp. regarding the sale of Arrow Lakes commissioning and entitlement energy produced between December 1, 2001 and January 1, 2003. After year's end, an agreement was reached with Powerex Corp. for the sale of all Arrow Lakes power produced prior to December 1, 2001.

12. CONTINGENCIES

The Trust's power project operations and investments activities are affected by federal, provincial and local government laws and regulations. Under current regulations, the Trust is required to meet performance standards to minimize or mitigate negative impacts of proposed projects. Furthermore, the Trust's agreements with its Bondholders require compliance in all material respects with such laws and regulations. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs and financing covenants cannot currently be estimated.

13. RESTRICTIONS ON NET ASSETS

(a) Restricted To Power Project Investment

Power project investment capital is restricted to reflect the Province's condition that its power project financing contributions are to be used initially to finance the equity requirements of power projects.

(b) Restricted To Non-Power Investment

Non-power investment capital is restricted to reflect the Province's condition that its regional benefit program contribution be used to finance investment activities and the Columbia Basin Management Plan's requirement that this capital be restricted to non-power investments.

(c) Restricted To Spending Program

Net investment income and certain other distributions from the Investment Program are restricted to future Spending Program activities. In addition, operating surpluses have been set aside for the Spending Program by the Trust's Board of Directors. Under the Columbia Basin Management Plan, distributions from the Investment Program are made after minimum reinvestments have been made to maintain the value of the Trust's endowment capital.

(d) Minimum Reinvestment To Maintain Endowment Capital

Endowment capital includes both power project and non-power investment capital. Under the Columbia Basin Management Plan, minimum reinvestment amounts to maintain the Trust's endowment capital will form part of the non-power investment capital pool. The Trust's power project investments are structured to repay the financial capital invested along with a return on that capital while it is invested. The structured return over a period of 30-60 years of the Trust's financial capital invested in power projects is an effective hedge against a long-term loss of value due to inflation given that at the end of the repayment period the Trust continues to hold an interest in the power projects. The Trust will reinvest those portions of power project cash distributions received in the future that represent a return of the financial capital invested based on the investment structure associated with each of the power projects.

A portion of the Trust's non-power investments are presently invested in monetary assets. Monetary assets are impacted by inflation. The Trust has determined that a $1,426,628 (fiscal 2000 $797,567) minimum reinvestment of net investment income is required to maintain the value of its non-power investment capital. This figure was calculated by comparing the change in the Canadian Consumer Price Index from April 2000 to March 2001.

14. FINANCIAL INSTRUMENTS

Assets and liabilities, which are recorded at contractual amounts that approximate market or fair value include cash and cash equivalents, securities, receivables, certain other assets and payables. The market value of such items are not materially sensitive to shifts in market interest rates because of the limited term to maturity of these instruments. The Trust's remaining financial assets and liabilities are carried at amounts that approximate their fair value. The Trust's exposure to credit risk in business loans is sufficiently provided for by the security associated with each of the loans.

15. RELATED PARTY TRANSACTIONS

(a) Trust Directors' and Advisory Committee Members' Remuneration

Section 11 of the Columbia Basin Trust Act provides for the Trust's Directors to be compensated for their work at rates which do not exceed a rate determined by the Minister of Energy and Mines. Where Directors are members of the Province's Legislative Assembly or are public servants or receive remuneration from any other source for acting as a Director of the Trust, they receive no compensation from the Trust.

(b) Power Project Joint Ventures

Under the terms of their joint venture agreements, Columbia Power Corporation and the Trust charge the joint ventures for management services. The amounts charged include staff compensation and general overhead costs attributable to joint venture activities.

		March 31, 2001	March 31, 2000
(i)	Payments to Columbia Power Corporation	$ 3,684,085	$ 3,147,852
(ii)	Payments to the Trust	458,081	306,015

The joint venturers also paid $2,189,993 (fiscal 2000 - $609,887) to B.C. Hydro and Power Authority (a Crown Corporation of the Province of B.C.) for project consulting services which were provided at market rates.

16. DELIVERY OF BENEFITS

(a) Spending program disbursements

Tier / Basin	Category	March 31, 2001	March 31, 2000
	Youth Initiative	$ 146,508	$ 87,615
	Community Foundations	50,000	-
	Basin Information Network	2,220	-
	Water Management	-	26,301
		198,728	113,916
Geographic			
	Regional District of Central Kootenay	849,637	460,211
	Regional District of East Kootenay	527,684	498,979
	City of Revelstoke	270,762	293,260
	Regional District of Kootenay Boundary	189,172	94,454
	Town of Golden	136,059	152,542
	Village of Valemount	128,107	144,443
	Ktunaxa Kinbasket Tribal Council	23,050	23,050
		2,124,471	1,666,939
Sector			
	Economic	716,591	279,020
	Environment	465,238	556,396
	Social	281,038	256,650
	Education	239,975	94,565
	Cultural	222,881	206,020
		1,925,723	1,392,651
		$ 4,248,922	$ 3,173,506

(b) Spending program commitments

The following commitments were made to several of the Trust's delivery partners at the end of the year:

Tier / Basin	Category	March 31, 2001	March 31, 2000
	Basin Information Network	$ 150,000	$ -
	Youth Links	140,000	1,908
	Youth Program Development	69,625	-
	Community Foundations	50,000	-
		409,625	1,908
Geographic			
	Affected areas/Basin Community	2,125,971	-
	Ktunaxa Kinbasket Tribal Council	-	70,000
	City of Revelstoke	-	23,300
	Regional District of East Kootenay	-	20,000
		2,125,971	113,300
Sector			
	Economic	624,646	312,000
	Environment	428,000	59,989
	Cultural	200,000	22,880
	Education	86,000	45,282
	Social	44,000	8,350
		1,382,646	448,501
		$ 3,918,242	$ 563,709

17. INVESTMENT PROGRAM WRITE-DOWNS AND WRITE-OFFS

	March 31, 2001	March 31, 2000
Write-down of investment in Heatwave Drying Systems Ltd.	$ 2,663,417	$ -
Investigation of thermal power project	116,075	648,371
Write-down of investment in Brilliant School property	85,534	-
	$ 2,865,026	$ 648,371

The Trust's loan to Heatwave Drying Systems Ltd. has been written-down to reflect the lack of reasonable assurance of the timely collection of the full amount of loan principal. Evidence of the deterioration in the creditworthiness of the borrower include: financial statements having been prepared on the going concern basis, the need to obtain further financing to complete development of the product and lack of profitable operations.

The investigation and analysis of the proposed Purcell Power project involved a number of studies and consultant's reports that were necessary before a decision could have been made to proceed with the project. In fiscal 2000 the project was abandoned and the remaining deferred costs were expensed in the current year. The Trust's investment in the Brilliant School property has been written-down to its estimated net realizable value.

18. SUBSEQUENT EVENTS

On April 1, 2001, the Province paid the first of five $50 million payments to the Trust that form part of the Regional Allocation that will be used to pay for the capital costs of power projects. On May 11, 2001, West Kootenay Power (WKP) and subsidiaries of Columbia Power Corporation (CPC) and CBT Energy Inc. (CBT Energy) signed agreements for the purchase of WKP's generation assets and business unit. Closing of the agreements is subject to financing and approval of the purchase by the British Columbia Utilities Commission. On April 12, 2001, the Province and CBT Energy signed an option agreement that provides CBT Energy with the right to purchase CPC at fair market value at any time before July 31, 2005.

On April 26, 2001, CBT Venture Capital Corp. converted its loan into the shares of Heatwave Drying Systems Ltd. and advanced a further $1,100,000 in the form of a secured loan. On April 1, 2001 CBT Real Estate Investment Corp. sold 15% of the Columbia Basin Trust building to the City of Castlegar for net proceeds of $581,000.

19. ECONOMIC DEPENDENCE

The Agreement of July 27, 1995 between the Province and the Trust states that the Province's annual payments to the Trust are subject to the appropriation of sufficient funds in that fiscal year's Provincial Budget. The future operating and investing activities of the Trust are dependent upon the continued receipt of funding under that Agreement.

20. COMPARATIVE FIGURES

Certain 2000 comparative figures have been reclassified to conform with the current year's presentation.

DIRECTORS AND OFFICERS

SENIOR EXECUTIVES:

Don Johnston, Chief Executive Officer
Bob Krysac, Chief Financial Officer

BOARD OF DIRECTORS:

Josh Smienk, Chair
Garry Merkel, Vice-chair
John Bergenske
Dave Bjarnson
Dieter Bogs
Jo Brown
Greg Deck
Anne Edwards
Rick Hardie
Mike Kartasheff
Sandy Korman
Bill Kruisselbrink
Ron Oszust
Fred Parker
Loni Parker
Joe Pierre
Jeannette Townsend
John Voykin

BOARD COMMITTEES:

Executive Committee

Josh Smienk, Chair
Garry Merkel, Vice-chair
Jo Brown
Dave Bjarnson

Task Force on Construction

John Voykin, Chair
Dieter Bogs
Jo Brown
Mike Kartasheff
Josh Smienk, ex-officio

Task Force on Governance

Dieter Bogs
Anne Edwards
Jo Brown
Rosemarie Johnson

Task Force on Water Management Garry Merkel, Chair
Josh Smienk
Anne Edwards
Don Johnston
Sandy Korman
Ron Oszust
Bill Kruisselbrink

TRUST SUBSIDIARIES:

CBT Energy Inc.

Ken Epp, President

Directors: Josh Smienk
Don Johnston
Dieter Bogs
Cam Osler
George Fraser

CBT ENERGY INC. SUBSIDIARIES

CBT Power Corp.
CBT Thermal Energy Corp.
CBT Arrow Lakes Power Development Corp.
CBT Brilliant Expansion Power Corp.

Ken Epp, President

Directors: Josh Smienk
Ken Epp

CBT Small Business Investment Corp.
CBT Golden Peaks Development Corp.
CBT St. Eugene Hotel/Golf Corp.
CBT Venture Capital Corp.
CBT Real Estate Investment Corp.

Greg Deck, President
Don Johnston, Chief Executive Officer
Bob Krysac, Chief Financial Officer/Secretary

Directors: Josh Smienk
Greg Deck

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The COLUMBIA BASIN TRUST has an 18-member Board of Directors. The Regional Districts of East Kootenay, Central Kootenay, Kootenay Boundary, Columbia-Shuswap, and Fraser/Fort George each appoint two people, totaling 10 directors. The Ktunaxa Kinbasket Tribal Council further appoints two directors and the Province of British Columbia appoints six directors. All Board members must be residents of the Columbia Basin, as defined in the Columbia Basin Trust Act. Members of the Board elect the Chair and the Vice-chair.

Board members are appointed for two-year terms. They may be re-appointed. Half of the Board members come up for re-appointment every year on March 31. Regional Districts and the Tribal Council may choose their appointees by any process they consider appropriate. If one of these bodies fails to appoint a director, the Lieutenant-Governor-in-Council may do so on behalf of the defaulting body. If a Regional District or Tribal Council appointee ceases to be a Trust director for any reason, the appointing body must promptly appoint a replacement for the unexpired portion of the term.

Directors shall appoint one of their numbers each year as Chair of the Board (Sec. 9 (4) of the Columbia Basin Trust Act). The Chair is also the Chair of the Executive Committee and is a full voting member on all other Board committees. Board members shall choose a Vice-chair each year. The Vice-chair shall serve as Vice-chair of the Executive Committee. Any appointing body can revoke an appointment and replace an appointee for the unexpired portion of a term.

The Chair is accountable to the Board and, with the participation of the directors, is responsible for the integrity of the Board process. This includes helping the Board to meet its responsibilities; conducting effective Board meetings and ensuring the Board adheres to its meeting procedures; representing the Board with the public, with the media, and at policy-level meetings with government and non-government agencies and organizations with which the Trust does business, or appointing another Board member or the Chief Executive Officer to do so.

The Vice-chair is accountable to the Board and assumes the responsibility of the Chair in his/her absence.

The Board prepares and publishes an annual report, to be presented at an annual general meeting which is open to the public and widely advertised. The Board receives regular reports from its Chief Executive Officer and its Chief Financial Officer. The Board monitors its own effectiveness through regular agenda items at Board meetings and occasional workshops, alone and with staff.

PRINCIPLES OF GOVERNANCE

The Board represents and serves its communities and the Columbia Basin as a whole. The Board talks with and listens to individuals, groups and the communities it serves to assure local positions are put forward. The Board advocates for people within the region wherever possible and assures an open information policy.

The Board provides leadership by establishing goals and annual priorities based on the mandate of the Columbia Basin Trust as outlined in the legislation, the agreement with the Government of British Columbia, and the current Columbia Basin Management Plan. The Board assures a continuing mission, and establishes goals for long and short terms. Board members act as ambassadors within and beyond the Basin.

The Board governs the organization by establishing clear, concise and consistent policy direction to guide the the Trust and monitor its performance. The Board establishes policy to direct management of the assets of the Columbia Basin Trust to enhance its environmental, social and economic resources. The Board selects, supports and evaluates the CEO.

Board meetings provide a forum for all Board and staff members to share their skills and knowledge for the benefit of the organization and its constituents. All decisions shall reflect the Basin perspective as laid out in the Columbia Basin Management Plan. The Board shall strive for informed consent through respectful dialogue while acknowledging that decisions may be made by simple majority vote.

COMMITTEES OF THE BOARD

The Board represents the interests of the Basin and includes the perspectives of the Board as a whole in its decision-making. For this reason, the Board operates as a Board of the whole wherever possible. The Executive Committee is the sole Standing Committee of the Board. The Board may, from time to time, establish a task force to investigate certain policy issues and make recommendations to the Board.

The EXECUTIVE COMMITTEE only makes decisions on behalf of the Board where prior authorization is in place, or in situations where an emergency absolutely precludes a teleconference of the whole board. The Chair may request that the Executive Committee assist him/her in planning the work of the Board. All work of the Executive Committee conforms to the operating principles of the Trust, and the Committee communicates openly and without restriction with the Board as a whole. Membership of the Committee consists of four directors: the Chair and Vice-chair and two members at large appointed by the Board. The CEO sits as a non-voting member of the Executive Committee. Appointment to the Executive Committee takes place at the same time as the Chair and Vice Chair of the Board are appointed.

TASK FORCES do not speak for the Board or act for the Board except when formally given such authority for specific and time limited purposes. Such delegated authority does not conflict with the authority delegated to the CEO. Task forces assist the Board by preparing policy alternatives and implications for Board deliberation. Task forces are appointed to assist the Board in conducting the business of the Board, not to help staff perform its duties. Upon being struck, a task force is directed to return to the Board with a well-defined mandate, time frames and Chair. Once a given task force has completed its work, it will be disbanded at the time of its final report to the Board. Any task force that has not completed its work within the allocated time frame will cease to exist unless the Board formally extends its mandate.

GLOSSARY

COLUMBIA RIVER TREATY: An international agreement between Canada and the United States on the development of the Columbia River in both countries. The Treaty was signed in 1961. However, this was followed by further negotiations that resulted in a Protocol being signed in 1964. The Treaty was then ratified by both parties in 1964, and this is the ratification date that controls a number of aspects in the Treaty.

COLUMBIA BASIN: The Columbia Basin is defined as the geographic area encompassing the Regional District of Central Kootenay and Regional District of East Kootenay; that portion of the Fraser-Fort George Regional District commencing at the southwest corner of Lot 7383, Cariboo Land District; then easterly along the southerly boundary of Lot 7383 and the northerly boundary of Lot 3103, Kamloops Division of Yale Land District, to the northeast corner of Lot 3103; then due East to the westerly boundary of the watershed of the Canoe River; then southerly along said boundary to the southerly boundary of the watershed of Foster Creek; then easterly along said boundary to Canoe River and continuing easterly across Canoe River to and along the southerly boundary of the watershed of Baker Creek to the easterly boundary of British Columbia; then northwesterly along that boundary and continuing along the line of the summit of the Rocky Mountains to the southerly boundary of the watershed of the Fraser River; then northwesterly along that southerly boundary to the southerly boundary of the watershed of Swift Creek; then in a westerly direction along that watershed boundary to the easterly and southerly boundaries of the watershed of the McLennan River, being also the northerly boundary of the watershed of the Canoe River; then westerly southerly, and easterly along the watershed boundary of the Canoe River to a point lying due West of the southwest corner of Lot 7383, Cariboo Land District; then East to that corner, being the point of commencement; that part of the Columbia Shuswap Regional District comprised of Electoral Area A, Electoral Area B, the Town of Golden and the City of Revelstoke; and that part of the Kootenay Boundary Regional District comprised of Electoral Area A, Electoral Area B, the City of Trail, the City of Rossland, the Village of Warfield, the Village of Fruitvale and the Village of Montrose.

COLUMBIA BASIN MANAGEMENT PLAN: The Plan, which was approved by the Board of Directors on July 19, 1997, describes the the Trust's objectives, priorities and programs. It was written by the Board of Directors with the assistance of an advisory committee. The process leading up to the creation of the plan included extensive public input to help ensure the Plan supports, and is supported by, the people of the Basin.